

UNIFIED SCHOOL DISTRICT NO. 369

BURRTON, KANSAS

Special Financial Statements

June 30, 2011

Unified School District No. 369

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 369
Burrton, Kansas

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 369, Burrton, Kansas, as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the District's 2010 financial statements and, in our report dated December 2, 2010, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 369, Burrton, Kansas, as of June 30, 2011, or the results of its operations for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly in all material respects the cash and unencumbered cash balances of the Primary Government of Unified School District No. 369, Burrton, Kansas, as of June 30, 2011, and its cash receipts and expenditures for the year then ended on the basis of accounting described in Note 1.

Knudsen, Monroe & Company LLC

Certified Public Accountants

October 28, 2011

Unified School District No. 369

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended June 30, 2011

<u>FUNDS</u>	Unencumbered Cash Balance <u>6-30-10</u>	Prior Year Canceled Encumbrances	<u>Receipts</u>	<u>Expenditures</u>	Unencumbered Cash Balance <u>6-30-11</u>	Liabilities and Encumbrances	Cash Balance <u>6-30-11</u>
General							
General	\$ (255,557)	-	2,193,577	2,115,350	(177,330)	8,186	(169,144)
Supplemental general	(39,900)	(211)	778,122	703,273	34,738	38,145	72,883
Special Revenue							
At risk (4 year old)	24,846	-	50,000	41,341	33,505	-	33,505
At risk (K-12)	76,535	-	225,000	199,349	102,186	-	102,186
Capital outlay	400,169	-	182,703	144,541	438,331	299	438,630
Driver training	17,568	-	4,192	5,819	15,941	-	15,941
Food service	53,803	-	169,019	165,802	57,020	64	57,084
Professional development	22,888	-	42,000	32,861	32,027	145	32,172
Special education	114,902	-	363,268	324,470	153,700	-	153,700
Vocational education	12,729	-	85,723	68,065	30,387	-	30,387
Gift	7,010	-	2,636	1,000	8,646	-	8,646
KPERS retirement	-	-	99,491	99,491	-	-	-
Contingency reserve	200,000	-	-	-	200,000	-	200,000
Recreation commission	-	-	17,114	10,240	6,874	-	6,874
Textbook revolving fund	29,208	-	24,038	26,785	26,461	26,785	53,246
Federal and state programs	(2,095)	-	151,020	125,462	23,463	-	23,463
Activity gate receipts	10,076	-	42,203	38,888	13,391	-	13,391
School projects	2,779	-	34,151	33,439	3,491	-	3,491
Debt Service							
Bond and interest	111,161	-	117,900	119,038	110,023	-	110,023
Fiduciary							
Student organizations	-	-	26,231	26,231	-	8,450	8,450
Scholarship	1,320	-	1	858	463	-	463
	\$ 787,442	(211)	4,608,389	4,282,303	1,113,317	82,074	1,195,391

See notes to financial statements

Unified School District No. 369

SUMMARY STATEMENT OF EXPENDITURES -
ACTUAL AND BUDGET
Year ended June 30, 2011

	<u>Certified Budget</u>	<u>Adjustment to Comply with Legal Max</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
General					
General	\$ 2,137,995	(22,645)	2,115,350	2,115,350	-
Supplemental general	703,273	-	703,273	703,273	-
Special Revenue					
At risk (4 year old)	74,845	-	74,845	41,341	(33,504)
At risk (K-12)	289,036	-	289,036	199,349	(89,687)
Capital outlay	391,000	-	391,000	144,541	(246,459)
Driver training	10,866	-	10,866	5,819	(5,047)
Food service	190,298	-	190,298	165,802	(24,496)
Professional development	32,305	-	32,305	32,861	556
Special education	452,212	-	452,212	324,470	(127,742)
Vocational education	68,065	-	68,065	68,065	-
Gift	7,010	-	7,010	1,000	(6,010)
KPERS retirement	140,011	-	140,011	99,491	(40,520)
Recreation commission	16,000	-	16,000	10,240	(5,760)
Debt Service					
Bond and interest	<u>119,500</u>	<u>-</u>	<u>119,500</u>	<u>119,038</u>	<u>(462)</u>
	<u>\$ 4,632,416</u>	<u>(22,645)</u>	<u>4,609,771</u>	<u>4,030,640</u>	<u>(579,131)</u>
Add expenditures of unbudgeted funds					
Special revenue				224,574	
Fiduciary				<u>27,089</u>	
Total expenditures, Statement 1				<u>\$ 4,282,303</u>	

Unified School District No. 369

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

		2011		Variance
	2010			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
GENERAL FUND				
Receipts				
Taxes				
Tax in process	\$ 5,099	13,721	21,035	(7,314)
Current tax	246,104	267,191	239,287	27,904
Delinquent tax	5,177	5,614	7,237	(1,623)
Mineral production tax	3,835	5,476	3,500	1,976
General state aid	1,520,414	1,581,805	1,626,582	(44,777)
ARRA stabilization funds	100,912	38,714	38,714	-
Education Jobs Grant stabilization	-	67,788	-	67,788
Special education state aid	194,756	213,268	201,640	11,628
	<u>2,076,297</u>	<u>2,193,577</u>	<u>2,137,995</u>	<u>55,582</u>
Expenditures				
Instruction	816,422	925,951	1,022,911	(96,960)
Student support services	39,734	37,414	41,563	(4,149)
Instructional support services	99,427	106,300	93,945	12,355
General administration	177,670	161,258	168,410	(7,152)
School administration	121,048	140,279	129,101	11,178
Operations and maintenance	295,818	151,713	127,720	23,993
Student transportation services	73,265	71,509	61,256	10,253
Operating transfers	499,764	520,926	493,089	27,837
	<u>2,123,148</u>	<u>2,115,350</u>	<u>2,137,995</u>	<u>(22,645)</u>
Adjustment to comply with legal max	-	-	(22,645)	22,645
	<u>2,123,148</u>	<u>2,115,350</u>	<u>2,115,350</u>	<u>-</u>
Receipts over (under) expenditures	(46,851)	78,227		
Unencumbered cash, beginning	<u>(208,706)</u>	<u>(255,557)</u>		
Unencumbered cash, ending	\$ (255,557)	(177,330)		

See notes to financial statements

Unified School District No. 369

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

		2011		Variance
	2010			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
SUPPLEMENTAL GENERAL FUND				
Receipts				
Taxes				
Tax in process	\$ 8,156	20,652	32,089	(11,437)
Current tax	386,015	463,942	400,380	63,562
Delinquent tax	8,550	10,171	11,301	(1,130)
Vehicle tax	39,324	41,378	43,998	(2,620)
ARRA stabilization funds	52,081	-	-	-
State aid	<u>156,635</u>	<u>241,979</u>	<u>214,872</u>	<u>27,107</u>
	<u>650,761</u>	<u>778,122</u>	<u>702,640</u>	<u>75,482</u>
Expenditures				
Instruction	232,357	111,558	98,280	13,278
Student support services	22,517	1,329	4,100	(2,771)
General administration	-	-	23,343	(23,343)
Operations and maintenance	25,990	167,663	190,550	(22,887)
Operating transfers	<u>403,655</u>	<u>422,723</u>	<u>387,000</u>	<u>35,723</u>
	<u>684,519</u>	<u>703,273</u>	<u>703,273</u>	<u>-</u>
Receipts over (under) expenditures	(33,758)	74,849		
Prior year cancelled encumbrances	<u>-</u>	<u>(211)</u>		
	(33,758)	74,638		
Unencumbered cash, beginning	<u>(6,142)</u>	<u>(39,900)</u>		
Unencumbered cash, ending	<u>\$ (39,900)</u>	<u>34,738</u>		

See notes to financial statements

Unified School District No. 369

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

		2011		Variance
	2010	Actual	Budget	Over
	Actual			(Under)
AT RISK FUND (4 YEAR OLD)				
Receipts				
Transfers from other funds	\$ 53,894	50,000	50,000	-
Expenditures				
Instruction				
Salaries and benefits	29,048	41,341	74,845	(33,504)
Receipts over (under) expenditures	24,846	8,659		
Unencumbered cash, beginning	-	24,846		
Unencumbered cash, ending	\$ 24,846	33,505		
AT RISK FUND (K-12)				
Receipts				
Transfers from other funds	\$ 237,905	225,000	212,500	12,500
Expenditures				
Instruction				
Salaries and benefits	198,181	199,119	201,435	(2,316)
Supplies and other	1,677	230	87,601	(87,371)
	199,858	199,349	289,036	(89,687)
Receipts over (under) expenditures	38,047	25,651		
Unencumbered cash, beginning	38,488	76,535		
Unencumbered cash, ending	\$ 76,535	102,186		

See notes to financial statements

Unified School District No. 369

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

		2011		Variance Over (Under)
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
CAPITAL OUTLAY FUND				
Receipts				
Taxes				
Tax in process	\$ 1,292	3,179	4,827	(1,648)
Current tax	53,835	57,806	52,375	5,431
Delinquent tax	1,385	1,550	1,585	(35)
Vehicle tax	6,333	6,285	6,704	(419)
Interest	5,084	2,584	5,000	(2,416)
Transfers from other funds	70,000	111,037	50,000	61,037
Other	474	262	500	(238)
	<u>138,403</u>	<u>182,703</u>	<u>120,991</u>	<u>61,712</u>
Expenditures				
Equipment	10,849	56,670	210,000	(153,330)
Facilities	68,476	87,871	181,000	(93,129)
	<u>79,325</u>	<u>144,541</u>	<u>391,000</u>	<u>(246,459)</u>
Receipts over (under) expenditures	59,078	38,162		
Unencumbered cash, beginning	<u>341,091</u>	<u>400,169</u>		
Unencumbered cash, ending	<u>\$ 400,169</u>	<u>438,331</u>		
DRIVER TRAINING FUND				
Receipts				
State aid	\$ 1,400	740	700	40
Transfer from other funds	3,000	-	3,200	(3,200)
Student fees	2,058	3,452	-	3,452
	<u>6,458</u>	<u>4,192</u>	<u>3,900</u>	<u>292</u>
Expenditures				
Salaries and benefits	4,326	4,876	4,916	(40)
Other	1,072	943	5,950	(5,007)
	<u>5,398</u>	<u>5,819</u>	<u>10,866</u>	<u>(5,047)</u>
Receipts over (under) expenditures	1,060	(1,627)		
Unencumbered cash, beginning	<u>16,508</u>	<u>17,568</u>		
Unencumbered cash, ending	<u>\$ 17,568</u>	<u>15,941</u>		

See notes to financial statements

Unified School District No. 369

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

		2011		Variance
	2010	Actual	Budget	Over
	Actual			(Under)
FOOD SERVICE FUND				
Receipts				
Meal sales	\$ 39,718	36,301	51,740	(15,439)
Federal aid	80,803	81,293	70,846	10,447
State aid	1,528	1,425	1,278	147
Transfers from other funds	30,000	50,000	30,000	20,000
	<u>152,049</u>	<u>169,019</u>	<u>153,864</u>	<u>15,155</u>
Expenditures				
Salaries and benefits	80,219	78,428	68,098	10,330
Food	67,063	73,488	99,700	(26,212)
Other	5,523	13,886	22,500	(8,614)
	<u>152,805</u>	<u>165,802</u>	<u>190,298</u>	<u>(24,496)</u>
Receipts over (under) expenditures	(756)	3,217		
Unencumbered cash, beginning	54,559	53,803		
Unencumbered cash, ending	<u>\$ 53,803</u>	<u>57,020</u>		
PROFESSIONAL DEVELOPMENT FUND				
Receipts				
Transfers from other funds	\$ 22,000	42,000	20,000	22,000
Expenditures				
Instructional support staff				
Salaries and benefits	2,212	4,563	2,305	2,258
Purchased services	17,856	21,362	28,000	(6,638)
Other	1,675	6,936	2,000	4,936
	<u>21,743</u>	<u>32,861</u>	<u>32,305</u>	<u>556</u>
Receipts over (under) expenditures	257	9,139		
Unencumbered cash, beginning	22,631	22,888		
Unencumbered cash, ending	<u>\$ 22,888</u>	<u>32,027</u>		

See notes to financial statements

Unified School District No. 369

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

		2011		Variance
	2010	Actual	Budget	Over
	Actual			(Under)
SPECIAL EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 290,898	363,268	309,389	53,879
Expenditures				
Instruction				
Payment to Special Education Coop	258,916	258,028	241,282	16,746
Student transportation				
Salaries and benefits	22,763	44,547	11,780	32,767
Supplies and other	10,176	21,895	199,150	(177,255)
	291,855	324,470	452,212	(127,742)
Receipts over (under) expenditures	(957)	38,798		
Unencumbered cash, beginning	115,859	114,902		
Unencumbered cash, ending	\$ 114,902	153,700		
VOCATIONAL EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 71,571	85,723	75,000	10,723
Expenditures				
Instruction				
Salaries and benefits	58,812	67,265	60,065	7,200
Supplies and other	30	800	8,000	(7,200)
	58,842	68,065	68,065	-
Receipts over (under) expenditures	12,729	17,658		
Unencumbered cash, beginning	-	12,729		
Unencumbered cash, ending	\$ 12,729	30,387		

See notes to financial statements

Unified School District No. 369

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

		2011		Variance
	2010	Actual	Budget	Over
	Actual			(Under)
GIFT FUND				
Receipts				
Donations	\$ 5,931	2,636	-	2,636
Expenditures				
Supplies and other	-	1,000	7,010	(6,010)
Receipts over (under) expenditures	5,931	1,636		
Unencumbered cash, beginning	1,079	7,010		
Unencumbered cash, ending	\$ 7,010	8,646		
KPERS RETIREMENT FUND				
Receipts				
State aid	\$ 116,675	99,491	140,011	(40,520)
Expenditures				
Employee benefits	116,675	99,491	140,011	(40,520)
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	\$ -	-		
CONTINGENCY RESERVE FUND				
Receipts	\$ 100,000	-		
Expenditures	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	100,000	-		
Unencumbered cash, beginning	100,000	200,000		
Unencumbered cash, ending	\$ 200,000	200,000		

See notes to financial statements

Unified School District No. 369

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

		2011		Variance
	2010	Actual	Budget	Over
	Actual			(Under)
RECREATION COMMISSION				
Receipts				
Tax in process	\$ 323	795	1,198	(403)
Current taxes	13,468	14,452	13,094	1,358
Delinquent taxes	270	297	396	(99)
Motor vehicle tax	1,574	1,570	1,679	(109)
	<u>15,635</u>	<u>17,114</u>	<u>16,367</u>	<u>747</u>
Expenditures				
Appropriation to recreation commission	<u>16,684</u>	<u>10,240</u>	<u>16,000</u>	<u>(5,760)</u>
Receipts over (under) expenditures	(1,049)	6,874		
Unencumbered cash, beginning	<u>1,049</u>	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>6,874</u>		
TEXTBOOK REVOLVING FUND				
Receipts				
Student fees	\$ 4,936	7,417		
Transfers from other funds	<u>24,151</u>	<u>16,621</u>		
	29,087	24,038		
Expenditures	<u>587</u>	<u>26,785</u>		
Receipts over (under) expenditures	28,500	(2,747)		
Unencumbered cash, beginning	<u>708</u>	<u>29,208</u>		
Unencumbered cash, ending	<u>\$ 29,208</u>	<u>26,461</u>		
			NOT APPLICABLE	

See notes to financial statements

Unified School District No. 369
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET*
 Year ended June 30, 2011
 (With comparable actual totals for the prior year ended June 30, 2010)

	2011										2010 Total	
	Title I	Title II A Teacher Quality	Title I		REAP Grant	Advanced Placement		Kan-Ed Grant	EETT	Charter School		Total
			ARRA Grant			Learning Grant						
FEDERAL GOVERNMENT PROGRAMS												
Receipts												
Federal and state aid	\$ 67,483	15,493	30,035	23,009	15,000	-	-	-	-	151,020	65,703	
Expenditures												
Salaries and benefits	50,128	15,493	30,035	12,435	420	-	-	-	-	108,511	83,057	
Supplies and other	-	-	-	-	5,689	-	-	-	-	5,689	3	
Equipment	-	-	-	-	11,262	-	-	-	-	11,262	-	
	50,128	15,493	30,035	12,435	17,371	-	-	-	-	125,462	83,060	
Receipts over (under) expenditures	17,355	-	-	10,574	(2,371)	-	-	-	-	25,558	(17,357)	
Unencumbered cash, beginning	(17,354)	-	-	-	-	2,468	12,750	41	(2,095)	2,468		
Canceled encumbrances	-	-	-	-	-	-	-	-	-	-	12,794	
Unencumbered cash, ending	\$ 1	-	-	10,574	(2,371)	2,468	12,750	41	23,463	(2,095)		

*Legally adopted budget not applicable

See notes to financial statements

Unified School District No. 369

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

		2011		Variance
	2010			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
BOND AND INTEREST FUND				
Receipts				
Taxes				
Tax in process	\$ 1,857	5,039	7,594	(2,555)
Current tax	85,412	82,211	74,495	7,716
Delinquent tax	1,947	2,258	2,514	(256)
Motor vehicle tax	8,707	9,346	9,944	(598)
State aid	14,054	19,046	19,046	-
	<u>111,977</u>	<u>117,900</u>	<u>113,593</u>	<u>4,307</u>
Expenditures				
Principal	95,000	100,000	100,000	-
Interest	22,113	19,038	19,038	-
Other	-	-	462	(462)
	<u>117,113</u>	<u>119,038</u>	<u>119,500</u>	<u>(462)</u>
Receipts over (under) expenditures	(5,136)	(1,138)		
Unencumbered cash, beginning	<u>116,297</u>	<u>111,161</u>		
Unencumbered cash, ending	<u>\$ 111,161</u>	<u>110,023</u>		

See notes to financial statements

Unified School District No. 369

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCESFiduciary Funds
Year ended June 30, 2011

<u>SCHOOL ACTIVITY FUND</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
ACTIVITY GATE RECEIPTS				
Athletics	\$ 4,857	39,704	35,276	9,285
Shop activity	3,548	14	380	3,182
Drama	1,671	2,485	3,232	924
Totals to Statement 1	<u>\$ 10,076</u>	<u>42,203</u>	<u>38,888</u>	<u>13,391</u>
SCHOOL PROJECTS				
Playground equipment	\$ 834	1,896	2,225	505
Flowers	333	23	40	316
Yearbook	196	1,607	764	1,039
Book fair	184	2,243	2,137	290
Concessions	987	26,539	26,145	1,381
Grade school	43	-	43	-
Other	202	1,843	2,085	(40)
Totals to Statement 1	<u>\$ 2,779</u>	<u>34,151</u>	<u>33,439</u>	<u>3,491</u>
STUDENT ORGANIZATIONS				
Band	\$ 879	5,643	4,365	2,157
Class of 2014	-	510	-	510
Class of 2010	263	-	263	-
Class of 2011	2,905	1,848	4,753	-
Class of 2012	1,940	3,113	3,303	1,750
Class of 2013	490	486	560	416
High school cheerleaders	1,129	1,049	1,663	515
Scholars Bowl	-	284	274	10
Kays	675	3,128	3,046	757
Stuco	3,198	3,019	4,596	1,621
FCCLA	451	1,172	1,051	572
Other	2	5,979	5,839	142
Total cash basis activity	11,932	26,231	29,713	8,450
Adjustments for encumbrances and payables	(11,932)	-	(3,482)	(8,450)
Totals to Statement 1	<u>\$ -</u>	<u>26,231</u>	<u>26,231</u>	<u>-</u>
<u>OTHER</u>				
EDUCATORS SCHOLARSHIP FUND	\$ 858	-	858	-
SCHOLARSHIP FUND	462	1	-	463
Totals to Statement 1	<u>\$ 1,320</u>	<u>1</u>	<u>858</u>	<u>463</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 369, Burrton, Kansas, is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 369 (the primary government) as the only component unit.

The Burrton Recreation Commission which operates recreational programs within the District is a jointly governed organization. The District and the City of Burrton each appoint two members of the recreation commission board. Property taxes for the Burrton Recreation Commission are levied by the District.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year ended June 30, 2011:

Governmental Funds

General Funds - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expend for specified purposes.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Fiduciary Funds

To account for assets held in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statutory Basis of Accounting (Continued)

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c) waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation that shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Activity Funds

Under provisions of K.S.A. 72-8208a, the Board of Education has adopted a resolution relating to the school activity fund which results in the activity funds being accounted for under policies and procedures of the Board. In these financial statements, all school activity funds of the District are classified as fiduciary funds.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
2. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
3. Adoption of the final budget on or before August 25th.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. BUDGETARY INFORMATION (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

The budget of the general fund of a unified school district is based on estimated enrollment for the district. After the school year has begun, the enrollment for each district is audited by the Kansas Department of Education. This enrollment will determine the legal maximum budget for the district, and if this "legal max" budget is less than the adopted budget, the general fund budget of the district is automatically reduced to the computed amount. If this "legal max" budget is greater than the adopted budget, the District must amend the budget (see prior paragraph) to the "legal max" amount to have the additional budget authority. The District's general fund budget for the year ended June 30, 2011, was reduced to the "legal max" of \$2,115,350.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures. The District was not in compliance with K.S.A.79-2935 which limits fund expenditures to the appropriated budget in the Professional Development fund.

All legal annual operating budgets are prepared using the statutory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the district for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds and the following special revenue funds:

- Contingency reserve fund
- Textbook revolving fund
- Federal and state programs
- Activity fund accounts

Spending in funds that are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or the use of internal spending limits established by the governing body.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no investment policy that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2011, the District's investments included the following:

<u>Investment type</u>	<u>Fair Value</u>	<u>Rating</u>
Bank time deposits	\$ 270,000	N/A
Kansas municipal investment pool	<u>714,558</u>	S&P AAAs/Sl+
Total fair value	\$ <u>984,558</u>	

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District has not designated peak periods. At June 30, 2011 the District's deposits were secured by collateral held under joint custody receipts.

At June 30, 2011, the carrying amount of the District's deposits was \$480,833. The bank balance totaled \$691,368. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by FDIC insurance and \$191,368 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At June 30, 2011, the District had invested \$714,558 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. DEPOSITS AND INVESTMENTS (Continued)

Composition of Cash and Investment Balance

State Bank of Burrton			
Demand deposits			
District checking	\$ 182,789		
High school activity fund checking	25,332		
Superintendent's petty cash	1,500		
Principal's petty cash	<u>750</u>		210,371
Time deposits			
Memorial and scholarship accounts	462		
Certificates of deposit	<u>270,000</u>		<u>270,462</u>
Total deposits with bank			480,833
Kansas Municipal Investment Pool			<u>714,558</u>
Total deposits			<u>\$1,195,391</u>

4. LONG-TERM DEBT

Changes in long-term liabilities for the District for the year ended June 30, 2011, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 6-30-10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-11</u>	<u>Interest Paid</u>
General Obligation Bonds									
Refunding - Series 2003	2.00-4.20%	10/1/2003	\$ 1,020,000	9/1/2015	\$ 550,000	-	100,000	450,000	19,038
Capital Lease Obligation									
Vocational Bldg Imp	4.50%	7/7/2008	530,000	7/3/2016	<u>419,740</u>	<u>-</u>	<u>66,628</u>	<u>353,112</u>	<u>18,961</u>
					<u>\$ 969,740</u>	<u>-</u>	<u>166,628</u>	<u>803,112</u>	<u>37,999</u>

Current maturities of long-term debt and interest through maturity are as follows:

	Year ended June 30						
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Principal							
General Obligation Bonds	\$ 100,000	105,000	110,000	110,000	25,000	-	450,000
Capital Lease Obligation	<u>58,907</u>	<u>67,157</u>	<u>70,222</u>	<u>73,447</u>	<u>76,820</u>	<u>6,559</u>	<u>353,112</u>
Total	<u>\$ 158,907</u>	<u>172,157</u>	<u>180,222</u>	<u>183,447</u>	<u>101,820</u>	<u>6,559</u>	<u>803,112</u>
Interest							
General Obligation Bonds	\$ 15,588	11,819	7,650	3,250	525	-	38,832
Capital Lease Obligaion	<u>14,839</u>	<u>11,848</u>	<u>8,783</u>	<u>5,557</u>	<u>2,186</u>	<u>24</u>	<u>43,237</u>
Total	<u>\$ 30,427</u>	<u>23,667</u>	<u>16,433</u>	<u>8,807</u>	<u>2,711</u>	<u>24</u>	<u>82,069</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

5. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4.0% to 6.0% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. For the year ended June 30, 2011, Kansas contributed 9.17% of covered payroll. Beginning July 1, 2011, the State contribution rate increased to 9.77% of covered payroll.

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010 and 2009 were \$253,834,044, \$248,468,186, and \$242,277,363 respectively, equal to the required contributions for each year.

6. COMPENSATED ABSENCES

Vacation

Full-time staff who work all twelve months of the year earn annual vacations of one to four weeks depending upon position and length of employment. Teachers and other staff working for the District less than twelve months each contract year do not receive paid vacations. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Sick Leave and Personal Leave

Full-time certified and classified personnel earn ten days of sick leave per year cumulative to a maximum of seventy days. At the end of the contract period, a maximum of sixty days may be carried over to the subsequent year with the days in excess of sixty being paid at the rate of \$15 per day. Personnel leaving the District after five years of employment will receive \$15 per day for unused sick leave. Certified personnel are authorized two days of personal leave per year. Unused personal leave at the end of the contract period is paid at the current substitute teacher rate of pay. Unused sick leave and unused personal leave have not been recorded as a liability in the accompanying financial statements.

7. COMPLIANCE WITH KANSAS STATUTES

Budget Violation

The District was not in compliance with K.S.A. 79-2935, which limits fund expenditures to the appropriated budget in the Professional Development fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

7. COMPLIANCE WITH KANSAS STATUTES (continued)

Depository Security Violation

The District's deposits were not adequately secured as required by K.S.A. 9-1402 and 9-1405 for approximately 74 days during the year ended June 30, 2011.

Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes.

STATUTORY REVENUES AND EXPENDITURES -
STATUTORY AND BUDGET
Year ended June 30, 2011

	Statutory Transactions	Budget	Variance Over (Under)
GENERAL			
Statutory revenues			
Taxes			
Tax in process	\$ 13,721	21,035	(7,314)
Current tax	267,191	239,287	27,904
Delinquent tax	5,614	7,237	(1,623)
Mineral production tax	5,476	3,500	1,976
General state aid	1,503,578	1,626,582	(123,004)
ARRA stabilization funds	38,714	38,714	-
Education Jobs Grant stabilization	67,788	-	67,788
Special education state aid	213,268	201,640	11,628
	<u>2,115,350</u>	<u>2,137,995</u>	<u>(22,645)</u>
Expenditures			
Instruction	925,951	1,022,911	(96,960)
Student support services	37,414	41,563	(4,149)
Instructional support services	106,300	93,945	12,355
General administration	161,258	168,410	(7,152)
School administration	140,279	129,101	11,178
Operation and maintenance	151,713	127,720	23,993
Student transportation services	71,509	61,256	10,253
Operating transfers	520,926	493,089	27,837
Adjustment to comply with legal max	-	(22,645)	22,645
Legal general fund budget	<u>2,115,350</u>	<u>2,115,350</u>	<u>-</u>
Revenue over (under) expenditures	-		
Modified unencumbered cash, beginning	-		
Modified unencumbered cash, ending	<u>\$ -</u>		

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

7. COMPLIANCE WITH KANSAS STATUTES (continued)

Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d) (continued)

STATUTORY REVENUES AND EXPENDITURES -
STATUTORY AND BUDGET
Year ended June 30, 2011

SUPPLEMENTAL GENERAL	Statutory Transactions	Budget	Variance Over (Under)
Statutory revenues			
Taxes			
Tax in process	\$ 20,652	32,089	(11,437)
Current tax	463,942	400,380	63,562
Delinquent tax	10,171	11,301	(1,130)
Vehicle tax	41,378	43,998	(2,620)
Supplemental state aid	<u>214,172</u>	<u>214,872</u>	<u>(700)</u>
	<u>750,315</u>	<u>702,640</u>	<u>47,675</u>
Expenditures			
Instruction	111,558	98,280	13,278
Student support services	1,329	4,100	(2,771)
General administration	-	23,343	(23,343)
Operation and maintenance	167,663	190,550	(22,887)
Operating transfers	<u>422,723</u>	<u>387,000</u>	<u>35,723</u>
	<u>703,273</u>	<u>703,273</u>	<u>-</u>
Revenue over (under) expenditures	47,042		
Prior year cancelled encumbrances	<u>(211)</u>		
	46,831		
Modified unencumbered cash, beginning	<u>631</u>		
Modified unencumbered cash, ending	<u>\$ 47,462</u>		

RECONCILIATION - STATE AID	General	Supplemental General
General state aid - cash received	\$ 1,581,805	241,979
Less received July 2010 for year ended June 30, 2011	(255,557)	(40,531)
Add received July 2011 for year ended June 30, 2011	<u>177,330</u>	<u>12,724</u>
Statutory revenue - above	<u>\$ 1,503,578</u>	<u>214,172</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

8. INTERFUND TRANSACTIONS

Operating transfers during the year ended June 30, 2011, were as follows:

	Transfers to	Transfers from	
	<u>Total</u>	<u>General</u>	<u>Supplemental General</u>
At risk (4 year old)	50,000	10,000	40,000
At risk (K-12)	225,000	25,000	200,000
Capital outlay	\$ 111,037	111,037	-
Food service	50,000	-	50,000
Professional development	42,000	7,000	35,000
Special education	363,268	288,268	75,000
Vocational education	85,723	68,000	17,723
Textbook revolving fund	16,621	11,621	5,000
	<u>\$ 943,649</u>	<u>520,926</u>	<u>422,723</u>

Transfers from the general fund are authorized by KSA 72-6428 and transfers from the supplemental general fund are authorized by KSA 72-6433.

9. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to June 30, 2011, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through October 28, 2011, which is the date at which the financial statements were available to be issued.